

**BOULT  
CUMMINGS  
CONNERS  
& BERRY** PLC

April A. Ingram  
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LAW OFFICES  
414 UNION STREET, SUITE 1600  
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NASHVILLE, TENNESSEE 37219

RECEIVED  
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MAY 12 PM 1 44  
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EXEC INTERNET WEB <http://www.bccb.com/>

May 12, 2000

**VIA HAND DELIVERY**

David Waddell  
Executive Director  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Re: Application of Madison River Communications, LLC for a Certificate of Convenience and Necessity as a Competing Telecommunications Service Provider  
Docket No. 00-00381

Dear Mr. Waddell:

Madison River Communications, LLC ("MRC" or "Applicant") hereby submits the enclosed Application, seeking authority to operate as a provider of facilities-based and resold telecommunications services within the state of Tennessee. An original and thirteen (13) copies are provided. Filed under separate cover is Exhibit "E-2" to the Application, which contains proprietary information. Because this information is highly confidential and proprietary, MRC requests that the Tennessee Regulatory Authority not disclose this financial information to the public or to any of MRC's competitors.

Also enclosed is a check in the amount of \$25.00 for filing fees. Notice of this filing has been served on interested parties.

Please date-stamp one copy and return it to the undersigned in the postage-paid envelope provided.

If you have any questions concerning this matter, or if you require additional information, please give me a call at 252-2302.

**POSTED**  
5/12/00

BEFORE THE TENNESSEE REGULATORY AUTHORITY

In the Matter of:

Application of Madison River )  
Communications, LLC for a Certificate )  
to Provide Facilities-Based and Resold )  
Competing Local Telecommunications )  
Services and Facilities-Based and )  
Resold Intrastate, Interexchange )  
Telecommunications Services )

Docket No. 00-00381

Application of Madison River Communications, LLC

Madison River Communications, LLC (the "Applicant" or "MRC") hereby submits this application for a Certificate of Public Convenience and Necessity to provide facilities-based and resold competing local telecommunications services and facilities-based and resold intrastate, interexchange telecommunications services in the State of Tennessee (the "Application"). This Application is made pursuant to applicable Tennessee Statutes and the Rules and Regulations of the Tennessee Regulatory Authority ("TRA") and Section 253 of the Federal Telecommunications Act of 1996 (the "Act"). Specifically, the Applicant requests that the TRA grant it authority to provide facilities-based and resold competing local telecommunications services and exchange access telecommunications services, and intrastate, interexchange telecommunications services within the State of Tennessee. The Applicant is willing and able to comply with all applicable rules and regulations in the State of Tennessee pertaining to the provision of such services.

*In support of this Application, the Applicant respectfully shows the TRA as follows:*

The Applicant

1. The name, address and telephone number of the Applicant is as follows:

Madison River Communications, LLC  
P.O. Box 1167  
103 South Fifth Street  
Mebane, North Carolina 27302  
Telephone: 919-563-1500  
Telefax: 919-563-4993

Questions regarding this Application should be directed to:

Michael T. Skrivan  
Executive Vice President – Revenues  
Madison River Communications, LLC  
P.O. Box 1167  
103 South Fifth Street  
Mebane, North Carolina 27302  
Telephone: 919-563-8230  
Telefax: 919-563-4993

and

Russell M. Robinson III, Esq.  
Amos, Jeffries & Robinson, LLP  
Post Office Box 787  
Greensboro, North Carolina 27402  
Telephone: 336-273-5569  
Telefax: 336-273-2435

April A. Ingram, Esq.  
Boult, Cummings, Conners &  
Berry, PLC  
414 Union Street, Suite 1600  
Nashville, Tennessee 37219  
Telephone: 615-244-2582  
Telefax: 615-252-6380

Contact name and address at the Company are:

Michael T. Skrivan  
Executive Vice President – Revenues  
Madison River Communications, LLC  
P.O. Box 1167  
103 South Fifth Street  
Mebane, North Carolina 27302  
Telephone: 919-563-8230  
Telefax: 919-563-4993

### Principal Corporate Officers

2. A list of the names and addresses of the Applicant's principal corporate officers is attached as Exhibit A.

### Tennessee operations

3. The names and addresses of employees responsible for Tennessee operations are set forth on Exhibit A. At this time, the Applicant does not maintain an office in Tennessee, although the Applicant does intend to establish an office in Tennessee in the future. Until then, please consider the following person as the contact person responsible for and knowledgeable about the Applicant's operations and the person responsible for working with the TRA on resolving any customer complaints:

Michael T. Skrivan  
Executive Vice President – Revenues  
Madison River Communications, LLC  
P.O. Box 1167  
103 South Fifth Street  
Mebane, North Carolina 27302  
Telephone: 919-563-8230  
Telefax: 919-563-4993

### Structure of the Applicant

4. The Applicant is a limited liability company organized under the laws of the State of Delaware on March 13, 1998. The Applicant received a Certificate of Authority to transact business in the State of Tennessee on August 30, 1999 and an amended Certificate of Authority on March 15, 2000. The Applicant was originally organized under the laws of the State of Delaware under the name MEBTEL Integrated Communications Solutions, L.L.C. On March 6, 2000, the Applicant changed its corporate name to Madison River Communications, LLC. A copy of the Applicant's Certificate of Formation, Agreement of

Limited Liability Company and Certificate of Authority are attached hereto as Exhibit B. Applicant is a wholly-owned subsidiary of Madison River Telephone Company, LLC, a limited liability company organized under the laws of the State of Delaware ("MRTC"). MRTC is the sole owner of a number of telecommunications entities, including the following incumbent local exchange providers: MEBTEL, Inc. of Mebane, N.C., serving 12,000 access lines; Gallatin Communications, LLC of Galesburg, Illinois, serving 85,000; Gulf Telephone Company of Foley, Alabama, serving 50,000 access lines; and Coastal Communications, Inc. of Hinesville, Georgia, serving 40,000 access lines. An organizational chart showing the entities owned by MRTC and the Applicant is attached hereto as Exhibit C.

#### Repair and Maintenance Information

5. The Applicant will take the steps necessary to insure effective customer service. The Applicant will conduct maintenance and repairs of its facilities in accordance with established maintenance and repair procedures, which will be provided by both the Applicant's repair technicians and qualified independent contractors. When the Applicant begins offering service within the State of Tennessee, customers having inquiries or complaints will be able to reach the Applicant for customer service by dialing a toll-free number. The Applicant's toll-free customer service number will be printed on customer invoices. In addition, customers may contact the company in writing at the headquarters address.

The name, address and telephone number of the person responsible for and knowledgeable about the Applicant's operations in Tennessee are as follows:

Jack Sanders  
Senior Vice President – Operations  
Madison River Communications, LLC  
P.O. Box 1167  
103 South Fifth Street  
Mebane, North Carolina 27302  
Telephone: 919-563-8246  
Telefax: 919-563-4993  
Mobile: 214-668-4169

Authorization in Other States

6. The Applicant is currently authorized by state public utilities commissions to provide telecommunications services in the following states: North Carolina and Illinois. The Applicant is currently seeking authorization to provide telecommunications services from state public utilities commissions in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, South Carolina and Texas. In no state has the Applicant's request for authority been denied. Affiliates of the Applicant have been certified to provide telecommunications services in Alabama, Florida, Georgia, Illinois, Kentucky, Louisiana, Mississippi, North Carolina and Texas.

Managerial, Financial and Technical Ability

7. (a) The Applicant has the managerial experience to render competing local telecommunications services in the State of Tennessee. Information concerning the experience of each principal officer in providing local telecommunications services is set forth on Exhibit D. See also information concerning the managerial experience of the

Applicant contained in the Pre-Filed Testimony of Donald K. Robertson, Chairman and Chief Executive Officer of the Applicant, which is attached hereto as Exhibit I.

(b) The Applicant is financially qualified to render competing local telecommunications services in Tennessee. Through its parent, MRTC, and affiliated entities, the Applicant has access to the capital necessary to fulfill the obligations it may undertake with respect to the provision of telecommunications services in the state of Tennessee. Attached hereto as Exhibit E-1 are the Consolidated Financial Statements of Madison River Capital, LLC, which includes the Applicant and its affiliated entities. Also attached at Exhibit E-2 are projected financial statements of the Applicant and capital expenditure budgets of the Applicant. The amounts included in the financial statements and projects relating to reciprocal compensation for terminating internet service provider ("ISP") traffic is less than one percent of any revenue amount.

(c) The Applicant has the technical experience to provide competing local telecommunications services in Tennessee. Exhibit D contains a brief description of the history of the Applicant's officers in providing the services. See also information concerning the managerial experience of the Applicant contained in the Pre-Filed Testimony of Donald K. Robertson, Chairman and Chief Executive Officer of the Applicant, which is attached hereto as Exhibit I.

#### Geographic Area Applicant Proposes to Serve

8. The Applicant seeks authority to provide services throughout the State of Tennessee to the extent contemplated under applicable law as authorized by the TRA. The Applicant proposes to provide services to subscribers from numerous points within the State of Tennessee and, therefore, seeks statewide authorization. At this time, the

Applicant does not plan to provide local exchange service in the service areas of Tennessee incumbent local exchange carriers ("ILECs") with fewer than 100,000 total access lines or ILECs that qualify for the rural exemption pursuant to Section 251(f) of the federal Act; however, the Applicant seeks statewide authority so that it may expand its service areas as those areas become open to competition.

#### Types of Services to be Offered

9. (a) The Applicant seeks authority to provide a full range of facilities-based and resold intrastate local exchange telecommunications services and exchange access telecommunications services and a full range of facilities-based and resold intrastate, interexchange services. Such services may include, but not be limited to, Residence and Business Flat Rate, Residence and Business Measured Rate, Residence and Business Key Lines, PBX, Direct Inward Dial, Direct Outward Dial, Integrated Services Digital Network, Basic Rate Interface, Primary Rate Interface, Switched Access, CENTREX, Switched Data Services, Private Line, and Special Access Services, as well as vertical services such as Custom Calling, Voice Mail and CLASS services. The Applicant also intends to examine the possibility of constructing or acquiring fiber-optic networks and other telecommunications facilities so that it can provide these services as a full-service provider of local facilities-based telecommunications services.

(b) Currently, the Applicant does not own, operate or control, directly or indirectly, transmission facilities with the technological capability to provide telecommunications services within the State of Tennessee. A customer of the Applicant will not be required to purchase telephone customer premise equipment ("CPE") which could not be used with systems of an ILEC, should the customer decide to move service

back to the ILEC. Currently, the Applicant does not anticipate requiring customer deposits for service. In the event deposits are required, appropriate bonding will be secured, if necessary.

(c) No complaints have been filed with state or federal authorities involving the Applicant. Affiliated entities of the Applicant have operated as incumbent local exchange carriers for many years in the states of North Carolina, Illinois, Alabama and Georgia. Those entities have endeavored to resolve any complaints that have been filed against such affiliated entities with the public service commissions of those states in a manner consistent with the practices and procedures of the commission in each state.

#### Small and Minority-Owned Business Participation Plan

10. Attached hereto as Exhibit F is the Applicant's proposed Small and Minority-Owned Business Participation Plan.

#### Toll Dialing Parity Plan

11. Attached hereto as Exhibit G is the Applicant's proposed Toll Dialing Parity Plan.

#### Operational Issues

12. (a) The Applicant will monitor and efficiently administer assignment of telephone numbers ("NXXs") to Tennessee customers in an effort to Tennessee numbering resources. The Applicant expects within a year of its approval its demand for NXXs per numbering plan area ("NPA") will be less than five. The Applicant expects to establish its initial service footprint in the following NPAs: 601 and 901. The Applicant expects that it will sequentially assign telephone numbers within NXXs, to the extent commercially

feasible. When ordering NXXs for growth, the Applicant typically uses 80 percent fill of an existing NXX to determine when a request for a new NXX will be initiated.

(b) Through its engineering and billing departments, Applicant will take the steps necessary to ensure that it complies with TCA Section 65-21-114, which requires that any telephone call made between two points in the same county in Tennessee be classified as toll-free, and to provide for metro area toll-free calling ("MAC") around Memphis, Nashville, Knoxville and Chattanooga. The Applicant is familiar with the policies and procedures of BellSouth and is generally aware and will work with BellSouth with respect to the Tennessee County Wide Calling database maintained by BellSouth and the procedures to enter telephone numbers on the database and the metro area toll-free calling ("MAC") database maintained by BellSouth.

#### Notarized Prefiled Testimony

13. The Applicant's verified prefiled testimony of Donald K. Robertson, Chairman and Chief Executive Officer of the Applicant, describing the services to be provided, the Applicant's managerial, financial and technical abilities to provide the services is attached hereto as Exhibit H.

#### Notice to LECs in State of Tennessee

14. The Applicant has served a copy of this Application on the 18 incumbent local exchange companies in the State of Tennessee. A Certificate of Service relating to each of these notices is attached to the Application.

#### Statement of Compliance

15. The Applicant agrees, without waiving any of its procedural or substantive rights, to adhere to all applicable TRA policies, rules and orders. To the extent the

Applicant provides basic local exchange telephone services, the Applicant will offer all services required under Chapter 1220-4-8-.04(3)(b) and (c).

WHEREFORE, Madison River Communications, LLC, respectfully requests that the Tennessee Regulatory Authority issue a Certificate of Public Convenience and Necessity authorizing it to provide facilities-based and resold competing local telecommunications services and exchange access service and facilities-based and resold intrastate, interexchange service and all other forms of telecommunications over which the TRA has jurisdiction within the State of Tennessee, as proposed herein.

Respectfully submitted the 12<sup>th</sup> day of May, 2000.

MADISON RIVER COMMUNICATIONS, LLC



April A. Ingram  
Boult, Cummings, Conners & Berry, PLC  
414 Union Street, Suite 1600  
Nashville, Tennessee 37219

and



Russell M. Robinson III  
Amos, Jeffries & Robinson, LLP  
230 North Elm Street, Suite 1230  
Greensboro, North Carolina 27401

Attorneys for Madison River Communications, LLC

## EXHIBITS

- A - Names and Addresses of Principal Corporate Officers
- B - Certificate of Formation; LLC Operating Agreement;  
Certificate of Authority
- C - Organizational Chart
- D - Managerial and Technical Ability
- E-1 - Financial Statements
- E-2 - Projected Financial Statements(Confidential and Proprietary)
- F - Small and Minority-Owned Telecommunication  
Business Participation Plan
- G - Toll Dialing Parity Plan
- H - Pre-filed Testimony

VERIFICATION

STATE OF NORTH CAROLINA

COUNTY OF ORANGE

Donald K. Robertson, being first duly sworn, deposes and says: That he is the Chairman and Chief Executive Officer of Madison River Communications, LLC, the applicant in the above proceeding, that he has read the foregoing application, and knows the contents thereof, and that he is authorized to verify that the applications are true.

MADISON RIVER COMMUNICATIONS, LLC

By: Donald K. Robertson

Name: Donald K. Robertson

Title: Chairman, Chief Executive Officer

Subscribed and sworn to before me this  
11<sup>th</sup> day of May, 2000

Dwight M. Steinbach

Notary Public

State of North Carolina

My commission expires: 11-24-2004

**Exhibit A**

**Names and Addresses of Principal Corporate Officers**

## EXHIBIT A

Names and Addresses of Principal Corporate Officers  
of  
Madison River Communications, LLC

<u>Name</u>	<u>Title</u>	<u>Address</u>
Donald K. Robertson	Chairman & Chief Executive Officer	103 South Fifth Street Mebane, N.C. 27302
J. Stephen Vanderwoude	Vice Chairman	103 South Fifth Street Mebane, N.C. 27302
Paul H. Sunu	Executive Vice President – Chief Financial Officer & Secretary	103 South Fifth Street Mebane, N.C. 27302
James D. Ogg	Executive Vice President	103 South Fifth Street Mebane, N.C. 27302
Bruce J. Becker	Executive Vice President – Chief Technology Officer	103 South Fifth Street Mebane, N.C. 27302
Michael T. Skrivan	Executive Vice President – Revenues	103 South Fifth Street Mebane, N.C. 27302
Craig Stapel	Senior Vice President – Sales and Marketing	103 South Fifth Street Mebane, N.C. 27302
Jack Sanders	Senior Vice President – Operations	103 South Fifth Street Mebane, N.C. 27302
Matt Springer	Vice President, General Counsel & Assistant Secretary	103 South Fifth Street Mebane, N.C. 27302
John Hogshire	Vice President & Controller	103 South Fifth Street Mebane, N.C. 27302
Karen Turner	Vice President & Treasurer	103 South Fifth Street Mebane, N.C. 27302

**Exhibit B**

**Certificate of Formation;  
LLC Operating Agreement;  
Certificate of Authority**

*State of Delaware*  
*Office of the Secretary of State*

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PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "MEBTTEL INTEGRATED COMMUNICATIONS SOLUTIONS, L.L.C.", CHANGING ITS NAME FROM "MEBTTEL INTEGRATED COMMUNICATIONS SOLUTIONS, L.L.C." TO "MADISON RIVER COMMUNICATIONS, LLC", FILED IN THIS OFFICE ON THE SIXTH DAY OF MARCH, A.D. 2000, AT 11:45 O'CLOCK A.M.



2871356 8100

001111901

A handwritten signature in cursive script, reading "Edward J. Freel".

*Edward J. Freel, Secretary of State*

AUTHENTICATION: 0297969

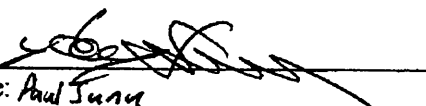
DATE: 03-06-00

**CERTIFICATE OF AMENDMENT  
OF  
MEBTEL INTEGRATED COMMUNICATIONS SOLUTIONS, L.L.C.**

1. Name of Limited Liability Company: MEBTEL Integrated Communications Solutions, L.L.C.
2. The Certificate of Formation of the limited liability company is hereby amended by changing the Article thereof numbered "1" so that, as amended, said Article shall be and read as follows:
  1. The name of the limited liability company is Madison River Communications, LLC.

IN WITNESS WHEREOF, the undersigned has executed this Certificate on the 3<sup>rd</sup> of March, 2000.

MEBTEL INTEGRATED SOLUTIONS, L.L.C.

By:   
Name: Paul Jura  
Title: Secretary

State of Delaware  
Office of the Secretary of State PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF LIMITED LIABILITY COMPANY OF "MEBTel INTEGRATED COMMUNICATIONS SOLUTIONS, L.L.C.", FILED IN THIS OFFICE ON THE THIRTEENTH DAY OF MARCH, A.D. 1998, AT 9 O'CLOCK A.M.



*Edward J. Freel*

Edward J. Freel, Secretary of State

2871356 8100

981096781

AUTHENTICATION: 8971466

DATE

STATE OF DELAWARE 002  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
FILED 09:00 AM 03/13/1998  
981096781 - 2871356

CERTIFICATE OF FORMATION

OF

MEBTTEL INTEGRATED COMMUNICATIONS SOLUTIONS, L.L.C.

1. The name of the limited liability company is MEBTEL  
Integrated Communications Solutions, L.L.C.

2. The address of its registered office in the State of Delaware is  
1209 Orange Street, in the City of Wilmington, County of New Castle. The name of  
its registered agent at such address is The Corporation Trust Company.

IN WITNESS WHEREOF, the undersigned have executed this  
Certificate of Formation of MEBTEL Integrated Communications Solutions,  
L.L.C. this 13th day of March, 1998.

By Mary E. Keogh  
Name: Mary E. Keogh  
Title: Authorized Person

[NOTE: MEBTEL Integrated Communications Solutions, L.L.C. changed its name to Madison River Communications, LLC on 3/6/00]

AGREEMENT OF LIMITED LIABILITY COMPANY  
OF  
MEBTEL INTEGRATED COMMUNICATIONS SOLUTIONS, L.L.C.  
A DELAWARE LIMITED LIABILITY COMPANY

The undersigned Member hereby forms a limited liability company pursuant to and in accordance with the Delaware Limited Liability Company Act, 6 Del. C. § 18-101, et seq. (the "Act"), and hereby agrees as follows:

1. Name. The name of the limited liability company formed hereby is MEBTEL Integrated Communications Solutions, L.L.C. (the "LLC").
2. Purpose. The purpose of the LLC is to engage in any and all lawful activities to which the Members deem appropriate.
3. Registered Office. The registered office of the LLC in the State of Delaware is located at 1209 Orange Street, Wilmington.
4. Registered Agent. The name and address of the registered agent of the LLC for service of process on the LLC in the State of Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington.
5. Capital Accounts. An account shall be established in the LLC's books for each Member (each a "Capital Account") in accordance with the rules of Section 704 of the Internal Revenue Code of 1986 and Treasury Regulation Section 1.704-1(b)(2)(iv).
6. Percentage Interest and Allocations of Profits and Losses. Each Member's interest in the LLC shall be expressed as a percentage equal to the ratio on any date of such Member's Capital Account on such date to the aggregate Capital Accounts of all Members on such date, such Capital Accounts to be determined after giving effect to all contributions of property or money, distributions and allocations for all periods ending on or prior to such date (as to any Member, his or her "Percentage Interest"). The LLC's profits and losses shall be allocated in accordance with the Percentage Interests of the Members.

7. Admission and Capital Contributions. Simultaneously with the execution and delivery of this Agreement, Madison River Telephone Company, LLC is admitted as the initial Member of the LLC. The address of Madison River Telephone Company, LLC is: 6330 Quadrangle Drive, Suite 325 Chapel Hill, North Carolina 27514. The initial Member is not required to make any contribution of property of money to the LLC in order to be admitted as a Member pursuant to this Section 7.

8. Additional Contributions. Except as otherwise required by law or agreed in writing by all of the Members, no Member shall be required to make any additional capital contributions to the LLC. Each additional capital contribution shall be made payable to the LLC, in immediately available funds, at its principle office. No Member shall be entitled to receive interest on its capital contributions.

9. Distributions. From time to time, as determined by the Members owning a majority of the Percentage Interests (the "Majority Members"), the Majority Members shall have the right to cause the LLC to distribute to the Members, *pro rata* based on their respective Percentage Interests, any cash held by it which is neither reasonably necessary for the operation of the LLC nor in violation of Sections 18-607 or 18-804 of the Act.

10. Managers. The number of Managers shall initially be two (2), and thereafter shall be such number as shall be fixed from time to time by the Majority Members.

The initial Managers shall be J. Stephen Vanderwoude and Paul H. Sunu. The Managers shall hold office during the lifetime of the LLC until its termination as herein provided; except any Manager (a) may resign or retire by written instrument signed by him and delivered to each other Manager, which shall take effect upon such delivery or upon such later date as is specified therein; (b) who becomes physically or mentally incapacitated by reason of disease or otherwise, or is otherwise unable to serve, may be removed by written instrument signed in good faith by at least two-thirds (2/3) of the other Managers, specifying the date of his removal; or (c) may be removed by the Majority Members at any meeting of the Members duly called for such purpose. The death of a Manager shall end his or her term and create an automatic vacancy. Any vacancy among the Managers, whether created by an increase in the number of Managers, by the death, resignation or removal of a Manager or otherwise, shall be filled by the Majority Members.

The Managers shall have exclusive and absolute control over the business of the LLC. The Managers shall have the power to conduct the business of the LLC and to carry on its operations in any and all of its offices and to do all such other things and execute all such instruments as they deem necessary, proper or desirable in order to promote the interests of the LLC, although such things are not herein specifically

mentioned. Any determination as to what is in the interests of the LLC made by the Managers in good faith shall be conclusive.

All instruments, contracts, agreements and documents providing for the acquisition, mortgage or disposition of property of the LLC shall be valid and binding on the LLC if executed by J. Stephen Vanderwoude or Paul H. Sunu, each of whom shall be an "authorized person" within the meaning of the Act for purposes of executing the LLC's Certificate of Formation.

11. Powers of Members. The Members shall have the right and authority to take all actions specifically enumerated in the Certificate of Formation or this Agreement. Each Member hereby agrees to take all action necessary or advisable to cause the LLC to be treated as a partnership for federal tax purposes.

12. Compensation. No Member shall receive compensation for services rendered to the LLC. Managers shall receive such compensation for services rendered to the LLC as the Majority Members shall determine.

13. Term. The LLC shall dissolve, and its affairs shall be wound up, upon the earliest to occur of (a) the execution of a written consent by the Members owning three-fourths (3/4) of the then-current Percentage Interests or (b) an event of dissolution of the LLC under the Act.

14. Assignments. No Member may assign, pledge and/or otherwise encumber its ownership or control of all or any part of, or any interest in, the Member's Percentage Interest, without the prior written consent of each other Member. Any permitted assignee of a Member's Percentage Interest shall, as a condition to such assignment, comply with the requirements for becoming an additional Member set forth in Section 17.

15. Withdrawal. Any Member may withdraw from the LLC only with the prior written consent of all other Members. Upon any such permitted withdrawal, the withdrawing Member shall receive the lesser of (x) the book value of such Member's then-current Percentage Interest in the LLC and (y) the aggregate amount of any contributions of property or money made by such Member to the LLC.

16. Limited Liability. No Member shall have liability for the obligations of the LLC, except to the extent provided in the Act.

17. Additional Members. No additional Member shall be admitted to the LLC without the prior written consent of each of the other Members, which consent may be evidenced by, among other things, the execution of an amendment to this Agreement. Each additional Member, as a condition to its admission, shall (i)

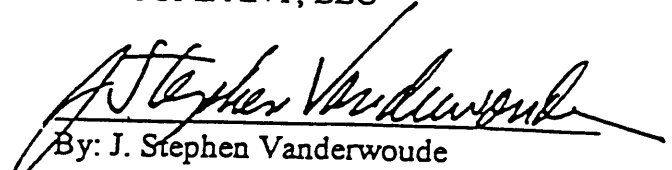
execute and deliver to each of the other Members a counterpart to this Agreement, agreeing for the benefit of the other Members to be bound by this Agreement to the same extent as if the additional Member had been an original party to the Agreement as a Member and (ii) take all action and execute all instruments required by the LLC in order to comply with any applicable federal or state law and regulations.

18. Amendments. This Agreement may be amended only in a writing signed by all of the Members.

19. Governing Law. This Agreement shall be governed by and construed under the laws of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has duly executed this Agreement of Limited Liability Company as of the 13th day of March, 1998.

MADISON RIVER TELEPHONE  
COMPANY, LLC

  
By: J. Stephen Vanderwoude  
Its: Chief Executive Officer

Secretary of State

~~Corporations~~ Section

James K. Polk Building, Suite 1800  
Nashville, Tennessee 37243-0306

DATE: 03/15/00  
REQUEST NUMBER: 3853-3031  
TELEPHONE CONTACT: (615) 741-2286  
FILE DATE/TIME: 03/15/00 1403  
EFFECTIVE DATE/TIME: 03/15/00 1630  
CONTROL NUMBER: 0376323

TO:  
AMOS JEFFRIES & ROBINSON LLP  
1230 RENAISSANCE PLZ  
230 N ELM ST  
GREENSBORO, NC 27401

RE:  
MADISON RIVER COMMUNICATIONS, LLC  
APPLICATION FOR AMENDED CERTIFICATE OF AUTHORITY -  
LIMITED LIABILITY COMPANY

THIS WILL ACKNOWLEDGE THE FILING OF THE ATTACHED DOCUMENT WITH AN EFFECTIVE  
DATE AS INDICATED ABOVE.

WHEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR FILING, PLEASE  
REFER TO THE LIMITED LIABILITY COMPANY CONTROL NUMBER GIVEN ABOVE.

FOR: APPLICATION FOR AMENDED CERTIFICATE OF AUTHORITY - ON DATE: 03/15/00  
LIMITED LIABILITY COMPANY

FROM:  
AMOS JEFFRIES & ROBINSON, LLP  
PO BOX 787

GREENSBORO, NC 27402-0000

RECEIVED: FEES \$20.00 \$0.00  
TOTAL PAYMENT RECEIVED: \$20.00

RECEIPT NUMBER: 00002641467  
ACCOUNT NUMBER: 00319505



*Riley C. Darnell*

RILEY C. DARNELL  
SECRETARY OF STATE

State of Tennessee



Department of State  
Corporation Section  
18th Floor, James K. Polk Building  
Nashville, TN 37243-0306

APPLICATION FOR AMENDED  
CERTIFICATE OF AUTHORITY  
(LIMITED LIABILITY COMPANY)

For Office Use Only

RECEIVED  
MAY 2 2003

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of § 48-248-303 of the Tennessee Limited Liability Company Act, the undersigned hereby applies for an amended certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the Limited Liability Company is: MEBTEL Integrated Communications Solutions, L.L.C.

If different, the name under which the certificate of authority is to be obtained is: Madison River Communications, LLC

2. The state or country under whose law it is organized is: Delaware

3. The date of its formation is: March 13, 1998 (must be month, day and year).

4. The complete street address (including zip code) of its principal office is:

103 South Fifth Street, Mebane, NC 27302  
Street City State/Country Zip Code

5. The complete street address (including the county and the zip code) of its registered office in Tennessee is:

530 Gay St. Knoxville, TN 37902  
Street City/State County Zip Code

The name of its registered agent at that office is: CT Corporation System

6. Please insert the number of members at the date of filing. 1

NOTE: This application must be accompanied by a certificate of existence (or a document of similar import) duly authenticated by the Secretary of State or other official having custody of Limited Liability Company records in the state or country under whose law it is formed. The certificate shall not bear a date of more than two (2) month prior to the date the application is successfully filed in Tennessee.

Madison River Communications, LLC  
(formerly MEBTEL Integrated  
Communications Solutions, L.L.C.)

3/10/00  
Signature Date  
Manager  
Signer's Capacity

Name of Limited Liability Company

Signature

J. Stephen Vanderwoude  
Name (typed or printed)

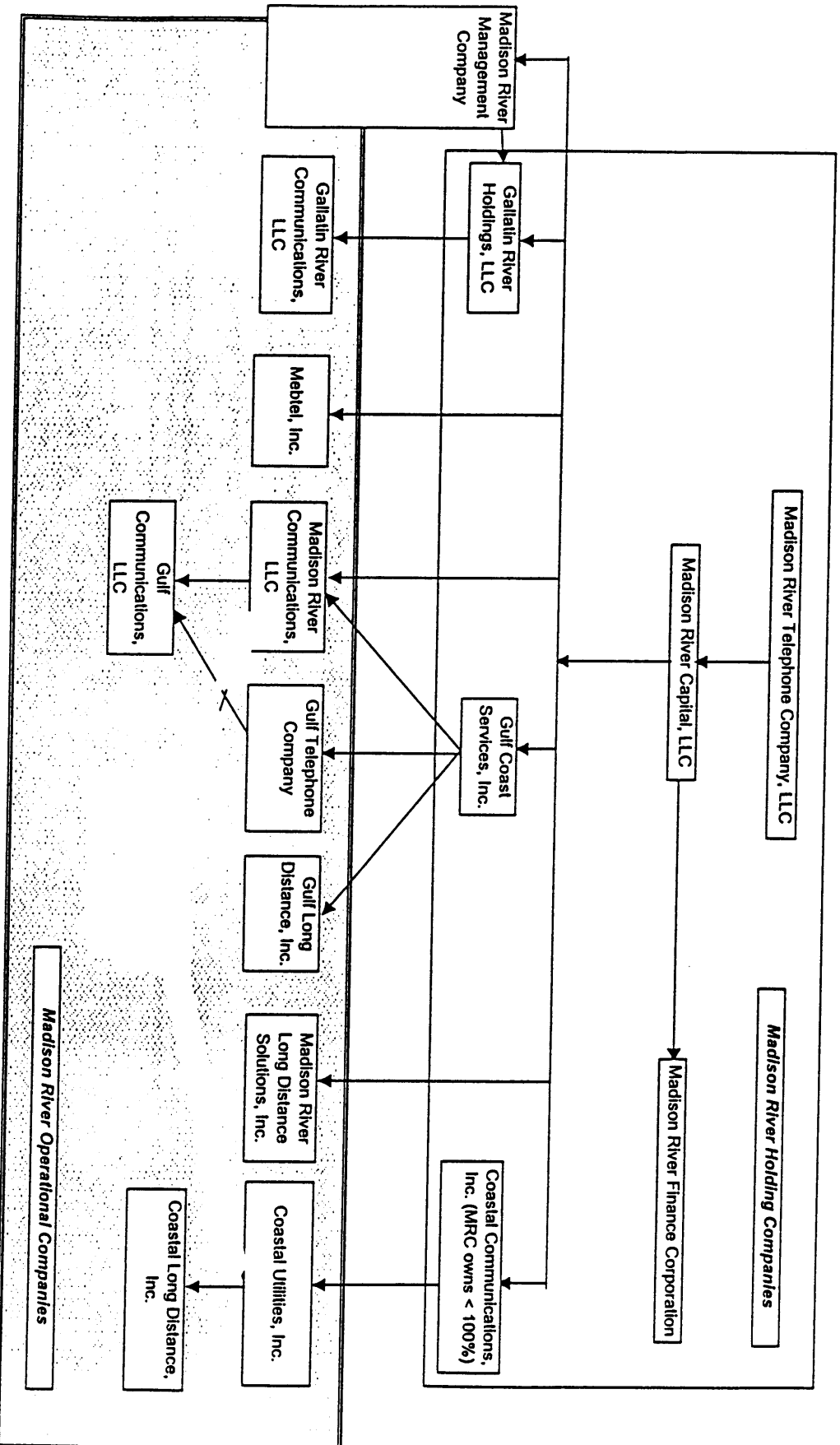
## Exhibit C

### Organizational Chart

# Madison River Communications

## Entity Map

4/24/00 13:07



## **Exhibit D**

### **Managerial and Technical Ability**

## **EXHIBIT D**

### **Management and Technical Ability**

**Mr. Donald K. Robertson** serves as Chairman and Chief Executive Officer of Madison River Communications, LLC and is a founding member of Madison River Telephone Company. He has over 39 years of telecommunications experience including serving as Vice President-Telecommunications and Assistant to the Chairman and Vice President-Strategic Development, Telecommunications for Citizens Utilities. In these capacities, Mr. Robertson negotiated the acquisition of 500,000 access lines from GTE and 130,000 access lines from ALLTEL increasing Citizens' holdings to nearly 800,000 access lines. Mr. Robertson also successfully managed the integration and absorption of new properties into Citizens Utilities. Mr. Robertson then negotiated the initial entry of Citizens Utilities into Hungarian Telephone and Cable Corporation. As a result, he served as a Director and Vice Chairman of Hungarian Telephone and Cable Company. Prior to Citizens Utilities, Mr. Robertson served as Vice President-West Division for Centel Corporation. In this capacity, Mr. Robertson had full P&L responsibilities as well as being responsible for sales, engineering, construction, installation and maintenance. As Vice President-Customer Service for Centel, he established the first remote monitoring system for observing PABXs nationwide

**Mr. J. Stephen Vanderwoude** serves as Vice Chairman and is a founding member of the Madison River Telephone Company. He has over 33 years of telecommunications experience including serving as President and Chief Operating Officer and a Director of Centel Corporation and President and Chief Operating Officer of the Local Telecommunications division of Sprint Corporation. He also served as President and Chief Executive Officer and director of Powerhouse Technologies, Inc., and is a director of First Midwest Bancorp, and of One Stop Telecommunication Inc.

**Mr. James D. Ogg** serves as Managing Director, Chairman and Chief Executive Officer of Mebtel Communications and is a founding member of Madison River Telephone Company. He has over 40 years of telecommunications experience including service as President of Centel-Illinois and Vice President and General Manager of Centel-Virginia and Centel-North Carolina. Mr. Ogg is very familiar and comfortable in the regulatory environment having served as Vice President for Governmental Relations for Centel Corporation. In this capacity, Mr. Ogg was responsible for advocacy of corporate policy on telecommunications, cable, and electric businesses before Congress and federal regulatory agencies. His regulatory experiences are not limited to the federal level. Mr. Ogg has successfully testified in or managed seventeen rates cases, three simultaneously. Mr. Ogg brings extensive experience in dealing with federal and state regulatory processes to Madison River Telephone Company's management team.

**Mr. Paul H. Sunu** serves as Managing Director, Chief Financial Officer and Secretary and is a founding member of Madison River Telephone Company. Mr. Sunu is a certified public accountant and a member of the Illinois Bar with 18 years of experience in finance, tax, treasury, securities and law. Prior to joining Madison River Telephone, Mr. Sunu

served as Senior Vice President, CFO, and General Counsel for RHR International Company, a management consulting firm with 16 profit centers located in North America, Europe and Russia. Mr. Sunu has extensive experience in establishing new businesses. Mr. Sunu served as President and is one of four principles that established JMG Financial Group, a tax and investment consulting firm. The four principles of JMG established Equity Partners, Ltd., a real estate acquisitions and management firm. Today, Equity Partners is known as Great Lakes REIT, a New York Stock Exchange company.

**Mr. Bruce J. Becker** serves as Executive Vice President, Chief Technical Officer for Madison River Communications, LLC. He has over 36 years of telecommunications experience including serving as the Senior Vice President of Operations and Planning for ICG Telecommunications, CIO for ICG's Telecommunications Group and Vice President of Strategic and Technical Planning for Centel Corporation. Over the span of his 36 years in the telecommunications industry, Mr. Becker has held a variety of Operations, Planning, and Engineering positions. These include General Manager of Network Engineering and Operations for Centel's Nevada and Texas Region, General Manager of Operational Planning, and Marketing for Centel Nevada and General Network and Switching Manager Centel-Texas. Most recently, Mr. Becker founded and served as President of BTC Partners LTD., a telecommunications consulting firm providing services to an array of CLEC, ILEC, CATV providers, Telecommunications and Data Transport Equipment Manufactures, and Investment Groups. Mr. Becker has served as a voting Director of the T1 Committee, a Director on the UNLV School of Engineering Board, a senior member of Northern Telecom's technical advisory board, and active member of USTA, and has testified as an expert witness at the state and Federal level on numerous rate and technology proceedings and inquires.

**Mr. Michael T. Skrivan** serves as Executive Vice President -Revenues for Madison River Communications, LLC. He is a certified public accountant and a certified management accountant with twenty-two years of experience in the telecommunications industry. Prior to joining Madison River, Mr. Skrivan was a founding member in the consulting firm of Harris, Skrivan & Associates, LLC, which provides regulatory and financial services to local exchange carriers. Mr. Skrivan was also an executive with Illinois Consolidated Telephone Company for nine years, holding positions in Regulatory, Strategic Planning, Marketing and Customer Service. At Illinois Consolidated, which serves 80,000 access lines, he played a key role in the development of competitive businesses, including wireless services, long distance services, fiber operations, directory services, operator services, inmate services and payphone services. Mr. Skrivan began his telecommunications career with Ernst & Young's Telecommunications Consulting Practice , providing cost of service studies to Independent Telephone Companies throughout the United States. Mr. Skrivan brings significant skills to the Madison River management team, including expertise in state and federal regulatory issues, an extensive understanding of telecommunications revenue streams and varied operational experience with a mid-size telecommunications company.

**Exhibit E-1**

**Financial Statements**

Consolidated Financial Statements

Madison River Capital, LLC

*Years ended December 31, 1999 and 1998  
with Report of Independent Auditors*

Madison River Capital, LLC  
Consolidated Financial Statements  
Years ended December 31, 1999 and 1998

**Contents**

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## Report of Independent Auditors

Member  
Madison River Capital, LLC

We have audited the accompanying consolidated balance sheets of Madison River Capital, LLC as of December 31, 1999 and 1998, and the related consolidated statements of operations, member's capital, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Madison River Capital, LLC at December 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

February 11, 2000

# Madison River Capital, LLC

## Consolidated Balance Sheets

	December 31	
	1999	1998
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 83,728,562	\$ 6,354,334
Accounts receivable, less allowance for uncollectible accounts of \$1,087,000 and \$335,000 in 1999 and 1998, respectively	11,673,213	5,073,021
Receivables, primarily from interexchange carriers	6,591,941	2,571,307
Income tax recoverable	53,664	105,300
Due from related party	—	19,289
Inventories	1,343,257	683,890
Deferred income taxes	48,400	40,200
Other current assets	1,435,800	487,341
Total current assets	104,874,837	15,334,682
Telephone plant and equipment		
Land, buildings and general equipment	48,575,575	14,252,798
Central office equipment	48,344,720	30,915,280
Poles, wires, cables and conduit	80,409,273	41,802,692
Leasehold improvements	1,372,077	588,063
Software	6,828,746	3,212,544
Construction-in-progress	121,353,147	898,455
	306,883,538	91,669,832
Accumulated depreciation and amortization	(13,561,243)	(2,184,160)
Telephone plant and equipment, net	293,322,295	89,485,672
Other assets:		
Rural Telephone Bank stock, at cost	8,606,172	283,666
Rural Telephone Finance Cooperative stock, at cost	42,933,408	10,974,211
Goodwill, net of accumulated amortization of \$9,840,200 and \$1,670,300 in 1999 and 1998, respectively	326,560,346	161,276,276
Receivable from NECA	—	6,900,000
Deferred income taxes	5,130,669	—
Other assets	3,862,773	1,508,425
Total other assets	387,093,368	180,942,578
Total assets	\$785,290,500	\$ 285,762,932

	December 31	
	1999	1998
<b>Liabilities and member's capital</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 27,926,554	\$ 7,785,784
Advance billings and customer deposits	3,700,486	1,222,869
Other current liabilities	609,011	122,524
Current portion of long-term debt	9,467,237	978,336
Total current liabilities	41,703,288	10,109,513
Noncurrent liabilities:		
Long-term debt	526,144,065	218,898,485
Deferred income taxes	41,556,987	1,212,500
Other liabilities	9,892,021	1,472,064
Total noncurrent liabilities	577,593,073	221,583,049
Total liabilities	619,296,361	231,692,562
Member's capital:		
Member's interest	185,700,158	58,585,916
Accumulated deficit	(19,706,019)	(4,515,546)
Total member's capital	165,994,139	54,070,370

Total liabilities and member's capital	<u>\$785,290,500</u>	<u>\$285,762,932</u>
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*See accompanying notes.*

Madison River Capital, LLC

Consolidated Statements of Operations

	Year ended December 31	
	1999	1998
Operating revenues:		
Local service	\$ 32,809,887	\$ 6,369,715
Network access service	29,892,953	6,410,200
Long distance service	6,269,681	1,603,733
Miscellaneous	7,168,464	865,205
Customer premise revenue	6,960,392	1,727,097
Provision for uncollectible accounts	(1,584,677)	(111,427)
Total operating revenues	81,516,700	16,864,523
Operating expenses:		
Plant specific	16,525,776	3,031,477
Plant nonspecific	8,382,742	1,051,728
Depreciation	11,705,300	2,376,039
Amortization	9,803,421	1,800,953
Customer operations	11,752,897	2,436,634
Corporate operations	17,253,554	5,404,878
Other taxes	601,425	232,492
Total operating expenses	76,025,115	16,334,201
Net operating income	5,491,585	530,322
Other income	3,386,126	480,622
Income before interest and income tax expense	8,877,711	1,010,944
Interest expense	(22,443,184)	(3,892,741)
Loss before income tax expense and extraordinary item	(13,565,473)	(2,881,797)
Income tax expense	(1,625,000)	(52,000)
Loss before extraordinary item	(15,190,473)	(2,933,797)
Extraordinary item - loss on early extinguishment of debt	-	(173,412)
Net loss	<u><u>\$(15,190,473)</u></u>	<u><u>\$ (3,107,209)</u></u>

*See accompanying notes.*

Madison River Capital, LLC

Consolidated Statement of Member's Capital

	Member's Interest	Accumulated Deficit	Total
Balance at December 31, 1997	\$ 8,293,115	\$ (1,408,337)	\$ 6,884,778
Member's capital	50,293,001	–	50,293,001
Repurchase of member's capital	(200)	–	(200)
Net loss	–	(3,107,209)	(3,107,209)
Balance at December 31, 1998	58,585,916	(4,515,546)	54,070,370
Member's capital	127,114,242	–	127,114,242
Net loss	–	(15,190,473)	(15,190,473)
Balance at December 31, 1999	<u>\$185,700,158</u>	<u>\$ (19,706,019)</u>	<u>\$165,994,139</u>

*See accompanying notes.*

## Statements of Cash Flows

W. BRUNNEN & CO. K.G.

# Madison River Capital, LLC

## Notes to Financial Statements

December 31, 1999

### 1. Summary of Significant Accounting Policies

#### Description of Business

On August 26, 1999, Madison River Capital, LLC (the "Company"), a wholly-owned subsidiary of Madison River Telephone Company (the "Parent"), was organized as a limited liability company under the provisions of the Delaware Limited Liability Company Act. Under the provisions of this Act, the member's liability is limited to the Company's assets provided that the members return to the Company any distributions received. Prior to the formation of Madison River Capital, LLC, the operations of the operating subsidiaries were consolidated at the Madison River Telephone Company, LLC level. Concurrent with the formation of Madison River Capital, LLC as a subsidiary of Madison River Telephone Company, LLC, all operations were consolidated at the Madison River Capital, LLC level. All historical operations presented in these financial statements prior to the date of formation of the Company include the combined financial statements of the following operating subsidiaries: Gallatin River Holdings, LLC, Gulf Coast Services, Inc., Madison River Communications, Inc., Madison River Long Distance Solutions, Inc., MEBTEL, Inc., and Mebtel Integrated Communications Solutions, LLC.

The Company was formed for the primary purpose of acquiring and operating local exchange telephone companies throughout the United States.

In January 1998, the Company acquired MEBCOM Communications, Inc., a North Carolina local exchange company serving 9,000 access lines for \$23,000,000. The purchase price consisted of \$21,000,000 in cash and a \$2,000,000 note payable to the selling shareholders. In November 1998, the Company acquired certain assets and liabilities from Central Telephone Company of Illinois, a local exchange company serving 82,000 access lines, for cash consideration of \$232,000,000. In September 1999, the Company acquired Gulf Coast Services, Inc., an Alabama local exchange company, serving approximately 50,000 access lines for cash consideration of \$312,000,000. These transactions were accounted for using the purchase method of accounting with results of operations of the acquired companies included in the Company's operations from the effective dates of acquisition. The Company records acquired assets and liabilities at their estimated fair value. The excess of the purchase price over the fair value of net assets acquired is recorded as goodwill.

#### Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

## Madison River Capital, LLC

### Notes to Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### Regulatory Assets and Liabilities

As a regulated entity, the Company is subject to the provisions of SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. Accordingly, the Company records certain assets and liabilities that result from the effects of the rate-making process, which would not be recorded under generally accepted accounting principles for non-regulated entities. These regulatory assets and liabilities relate primarily to fixed assets and the regulatory impact thereof.

Property, plant and equipment of the Company's regulated telephone operations has been depreciated using generally the straight line method over lives approved by regulators. Such depreciable lives have generally exceeded the depreciable lives used by nonregulated entities. In addition, in accordance with regulatory accounting, retirements of regulated telephone property have been charged to accumulated depreciation, along with the costs of removal, less salvage, with no gain or loss recognized. These accounting policies have resulted in accumulated depreciation being significantly less than if the Company's telephone operations had not been regulated.

Statement of Financial Accounting Standards No. 101 ("SFAS 101"), "Regulated Enterprises—Accounting for the Discontinuance of Application of FASB Statement No. 71," specifies the accounting required when an enterprise ceases to meet the criteria for application of SFAS 71. SFAS 101 requires the elimination of the affects of any actions of regulators that have been recognized as assets and liabilities in accordance with SFAS 71 but would not have been recognized as assets and liabilities by enterprises in general, along with an adjustment of certain accumulated depreciation accounts to reflect the difference between recorded depreciation and the amount of depreciation that would have been recorded had the Company's telephone operations not been subject to rate regulation.

The ongoing applicability of SFAS 71 to the Company's regulated telephone operations is being monitored due to the changing regulatory, competitive and legislative environments, and it is possible that changes in these areas or in the demand for regulated services or products could result in the Company's telephone operations no longer being subject to SFAS 71 in the future. If the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required could result in a material, noncash charge against earnings.

## Madison River Capital, LLC

### Notes to Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### Cash Equivalents

It is the Company's policy to consider investments with a maturity of three months or less at the date of purchase to be cash equivalents.

##### Telephone Plant in Service

Telephone plant is stated at cost, which includes certain labor and direct costs associated with the installation of certain assets.

Depreciation is provided using composite straight-line rates, which approximated 6.54% and 5.42% of average depreciable property for 1999 and 1998, respectively. Such rates are approved by the Illinois and North Carolina Utilities Commission and Alabama Communications Commission, respectively, for regulated telephone plant in service.

Maintenance, repairs, and minor renewals are primarily expensed as incurred. Additions, renewals, and betterments are capitalized to telephone plant accounts. The original cost of depreciable property retired is removed from telephone plant accounts and charged to accumulated depreciation, which is credited with the salvage value less removal cost. Under this method, a profit or loss is not recognized on ordinary retirements of depreciable property.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

##### Inventories

Inventories are comprised primarily of poles, wires, and telephone equipment and are stated at the lower of cost (average cost) or market.

## Madison River Capital, LLC

### Notes to Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### Revenues

Network access service revenues are based on long distance service pool settlements with the National Exchange Carrier Association ("NECA") for service between states. For service between local access and transport area ("LATA"), access revenues are based on a bill and keep arrangement. Within the LATA, originating service revenues are based on a bill and keep arrangement and terminating service is settled with other local exchange carriers within the state. The Company provides billing and collection services to interexchange carriers and provides certain directory advertising services. Local service revenues are billed monthly in advance and deferred until earned.

##### Income Taxes

For federal and state income tax purposes the Company and its subsidiaries, except for MEBTEL, Inc., Gulf Coast Services, Inc., Madison River Long Distance, Inc. and Madison River Communications, Inc., which are taxable C Corporations, are treated as partnerships. Accordingly, income, losses and credits are passed through directly to the members. The tax provision in the accompanying financial statements reflects the income tax expense and income tax accounts attributable to the taxable C Corporation subsidiaries.

##### Allocation of Distributions

Distributions to members, if any, are allocated in accordance with the terms outlined in the Company's Operating Agreement.

##### Goodwill

Goodwill resulting from the purchase price for the assets in excess of fair market value is being amortized using the straight-line method over twenty-five years. Goodwill was recorded in connection with the acquisitions that occurred in January 1998, November 1998 and September 1999. The Company recorded amortization expense related to this goodwill of approximately \$8,170,000 and \$1,670,000 for the years ended December 31, 1999 and 1998, respectively. The carrying value of goodwill is reviewed if the facts and circumstances suggest impairment. If this review by management indicates that the carrying value will not be recoverable, as determined based on undiscounted cash flows over the remaining amortization period, the Company would reduce the carrying value by the estimated shortfall of cash flows on a discounted basis. Based upon the application of this policy, no impairments were recognized during 1999 and 1998.

## Madison River Capital, LLC

### Notes to Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### Concentration of Credit Risk

The Company's principal financial instrument subject to potential concentration of credit risk is accounts receivable which are unsecured. The Company provides an allowance for doubtful receivables based on an analysis of the likelihood of collection of outstanding amounts. One customer represented 15% and 14% of operating revenues for the years ended December 31, 1999 and 1998.

##### Cash Concentration

At December 31, 1999, the Company had approximately \$82,811,600 cash invested in four financial institutions. At December 31, 1998, the Company had approximately \$4,770,000 in cash invested in two financial institutions.

##### Comprehensive Income

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130, *Reporting Comprehensive Income* ("FAS 130"). FAS 130 requires that total comprehensive income and comprehensive income per share be disclosed with equal prominence as net income and earnings per share. Comprehensive income is defined as changes in member's capital exclusive of transactions with owners such as capital contributions and distributions. The Company adopted this Standard in 1998. Comprehensive income is equivalent to net income for all years presented.

##### Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Investments and Hedging Activities," ("SFAS No. 133"). SFAS No. 133 establishes a new model for accounting for derivatives and hedging activities and supersedes several existing standards. SFAS No. 133, as amended by SFAS No. 137, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company does not expect that the adoption of SFAS No. 133 will have a material impact on the consolidated financial statements.

## Madison River Capital, LLC

### Notes to Financial Statements (continued)

#### **2. Rural Telephone Bank Stock**

The Company's investment in Rural Telephone Bank ("RTB") stock is carried at cost and consists of 10,127 shares of \$1,000 par value Class C stock and 15,861 shares of \$1 par value Class B stock at December 31, 1999 and 1998.

#### **3. Rural Telephone Finance Cooperative Stock**

The Company's investment in Rural Telephone Finance Cooperative ("RTFC") stock is carried at cost and consists of Subordinated Capital Certificates ("SCCs") acquired as a condition of obtaining long-term financing from the RTFC. The SCCs are redeemed proportionately as the principal is repaid to the RTFC. The Company receives dividends in the form of patronage capital or SCCs from RTFC, which the Company records at cost.

# Madison River Capital, LLC

## Notes to Financial Statements (continued)

### 4. Long-Term Debt and Lines of Credit

Long-term debt consists of the following:

	December 31	
	1999	1998
First mortgage notes collateralized by substantially all assets:		
RTFC note payable in escalating quarterly principal installments beginning in February 2000 through 2013 (initial quarterly installment amount of \$1,309,302), interest payments are due quarterly at a fixed rate of 7%.	\$123,192,631	\$123,192,631
RTFC note payable in escalating quarterly principal installments beginning in February 2000 through August 2013 (initial quarterly installment amount of \$250,000), interest payments are due quarterly at the financial institution's base rate plus .75% (7.8% at December 31, 1999).	73,684,211	73,684,211
RTFC note payable in escalating quarterly principal installments beginning in February 1999 through 2012 (initial quarterly installment amount is \$157,995) plus interest payable at a fixed rate of 6.8%.	14,350,873	15,000,000
RTFC note payable in escalating quarterly principal installments beginning in February 1999 through 2012 (initial quarterly installment amount is \$80,128) plus interest payable at the financial institution's base rate plus .5% (7.55% at December 31, 1999).	7,278,159	7,607,369
RTFC note payable in quarterly principal installments of \$1,486,560 beginning in December 2000 through September 2014 plus interest at a fixed rate of 8.4%.	138,388,889	—
RTFC note payable in escalating quarterly principal installments beginning in February 2002 through August 2014 (initial quarterly installment amount is \$1,958,086), interest payments are due quarterly at the financial institution's base rate plus 2%. This note was paid in full in February 2000 (see Note 12).	177,777,778	—
Other	938,761	392,610
	535,611,302	219,876,821
Less current portion	9,467,237	978,336
	<u>\$ 526,144,065</u>	<u>\$218,898,485</u>

## Madison River Capital, LLC

### Notes to Financial Statements (continued)

#### 4. Long-Term Debt and Line of Credit (continued)

Principal maturities of long-term debt at December 31, 1999 are as follows:

2000	\$ 9,467,237
2001	14,128,424
2002	23,178,581
2003	30,526,339
2004	32,413,059
Thereafter	425,897,662
	<u>\$ 535,611,302</u>

The Company also has a \$10,000,000 revolving line of credit from the RTFC with a term up to five years. Interest is payable quarterly at the lender's base rate plus one-half percent per annum. The Company has no borrowings under the line of credit at December 31, 1999 and 1998.

The Company also has a \$1,000,000 revolving line of credit facility with the RTFC. Interest on outstanding amounts under the line is payable quarterly at the RTFC's base rate per annum. The Company had no borrowings under the line of credit at December 31, 1999 and 1998. The line of credit facility is subject to review for renewal in January 2003.

In 1999, the Company entered into another \$10,000,000 revolving line of credit with the RTFC for a term up to five years. Interest is payable at the lender's base rate plus one-half percent per annum. The Company has no borrowings under the line of credit at December 31, 1999. In addition, the Company has a fifteen year, \$7,800,000 term loan facility with the RTFC that is available to fund a wholly-owned subsidiary, Gulf Coast Services', working capital and capital expenditures. Interest is payable at the lender's base rate plus .35% per annum. The Company has no borrowings under the facility at December 31, 1999.

Under the terms of the debt agreements, the Company is restricted from declaring or paying dividends under specified circumstances and is required to comply with certain financial covenants. At December 31, 1999, substantially all of the assets of the Company and its subsidiaries were restricted due to these financial covenants.

The Company estimates that the fair value of long-term debt approximates the carrying value based upon its effective current borrowing rate for debt with similar terms and remaining maturities. Disclosure about fair value of financial instruments is based upon information available to management as of December 31, 1999. Although management is not aware of any factors that would significantly affect the fair value of amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date.

# Madison River Capital, LLC

## Notes to Financial Statements (continued)

### 5. Leases

The Company leases its office space under operating lease agreements which expire through 2009. The office leases contain certain provisions for renewal and also contain certain escalation clauses. Future minimum lease payments for years subsequent to December 31, 1999 are as follows:

2000	\$ 330,649
2001	237,133
2002	221,358
2003	189,625
2004	172,176
Thereafter	275,254
	<u>\$1,426,195</u>

Total rent expense was approximately \$319,000 and \$116,000 for the years ended December 31, 1999 and 1998, respectively.

### 6. Income Taxes

Income taxes for the Company's wholly-owned corporate subsidiaries, MEBTEL, Inc., Gulf Coast Services, Inc. ("GCSI"), Madison River Long Distance Solutions, Inc. ("MRLD") and Madison River Communications, Inc. ("MRCI") are calculated using the liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in MEBTEL's, GCSI's, MRLD's and MRCI's financial statements or tax returns. Deferred income taxes arise from temporary differences between the income tax basis and financial reporting basis of assets and liabilities. Components of income tax expense for the years ended December 31 are as follows:

	1999	1998
Current:		
Federal	\$ 1,004,196	\$ (193,885)
State	242,154	(32,023)
Deferred:		
Federal	264,438	248,994
State	(117,329)	47,499
Subtotal	1,393,459	70,585
Investment tax credits, net	(57,585)	(18,585)
Change in valuation allowance	289,126	-
Total income tax expense	<u>\$ 1,625,000</u>	<u>\$ 52,000</u>

# Madison River Capital, LLC

## Notes to Financial Statements (continued)

### 6. Income Taxes (continued)

The net income (loss) before taxes of the wholly-owned corporate subsidiaries for the years ended December 31, 1999 and 1998 was approximately \$979,000 and \$(508,000), respectively. Differences between reported tax expense computed by applying the statutory federal income tax rate to loss before income taxes and reported tax expense for the years ended December 31 are as follows:

	1999	1998
Amount computed at statutory rate	\$ 332,865	\$(172,886)
Non-deductible goodwill amortization	856,012	258,518
Increase in tax valuation allowance	289,126	—
State income taxes, net of federal benefit	106,918	—
Amortization of investment tax credits	(18,585)	(18,585)
Other, net	58,664	(15,047)
Total income tax expense	<u>\$1,625,000</u>	<u>\$ 52,000</u>

MRCI had a net operating loss carryforward of approximately \$2,195,000 at December 31, 1999, which will begin to expire in 2018. MRLD had a net operating loss carryforward of approximately \$460,000 at December 31, 1999, which will begin to expire in 2019. At December 31, 1999, GCSI and its wholly-owned subsidiary, Gulf Long Distance, had state net operating loss carry forwards for tax purposes of \$3,700,000 and \$6,000,000, respectively, which expire beginning in 2000 through 2013 and 2005 through 2013, respectively.

# Madison River Capital, LLC

## Notes to Financial Statements (continued)

### 6. Income Taxes (continued)

The tax effects of temporary differences that gave rise to significant portions of deferred tax assets and deferred tax liabilities of at December 31 are as follows:

	1999	1998
Deferred tax assets:		
Accrued employee benefits	\$ 2,435,247	\$ -
Deferred compensation	1,037,000	-
Net operating loss carryforwards	1,512,947	430,000
Other deferred assets	1,011,516	40,200
Total deferred tax assets	5,996,710	470,200
Valuation allowance for deferred tax assets	(817,641)	-
Net deferred tax assets	5,179,069	470,200
Deferred tax liabilities:		
Book basis of property, plant and equipment in excess of tax basis	(36,601,823)	(1,212,500)
Basis difference in investment	(2,389,900)	(430,000)
Noncash dividend	(2,565,264)	-
Total deferred tax liabilities	(41,556,987)	(1,642,500)
Net deferred tax liabilities	<u>\$(36,377,918)</u>	<u>\$(1,172,300)</u>

# Madison River Capital, LLC

## Notes to Financial Statements (continued)

### 7. Benefit Plans

#### *Pension Plan*

The Company adopted a noncontributory defined benefit pension plan, which was transferred to the Company from its wholly-owned subsidiary, MEBTEL, Inc., in May 1998, that covers all full-time employees who have met certain age and service requirements. The plan provides benefits based on participants' final average compensation and years of service. The Company's policy is to fund the maximum contribution allowable by the Internal Revenue Code and comply with the funding requirements of the Employee Retirement Income Security Act of 1974. During 1998, the plan reflected the impact of a reduction in the number of MEBTEL employees covered by the plan which significantly reduced the minimum pension liability.

The Company adopted the Statement of Financial Accounts Standards No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits* which standardizes disclosure requirements for pensions and other postretirement benefits, eliminates certain disclosures and requires some additional information.

The following table sets forth the funded status of the Company's pension plan and amounts recognized in the Company's financial statements at December 31, 1999 and 1998:

	1999	1998
Actuarial present value of accumulated benefits:		
Accumulated benefit obligation	<u>\$ (1,572,251)</u>	<u>\$ (1,154,188)</u>
Projected benefit obligation	\$ (1,689,734)	\$ (1,252,083)
Plan assets at fair value, principally marketable securities	<u>2,036,277</u>	<u>2,292,666</u>
Plan assets in excess of projected benefit obligation	346,543	1,040,583
Unrecognized prior service costs	27,711	—
Unrecognized net obligation	17,538	19,487
Unrecognized net actuarial gain	<u>(553,931)</u>	<u>(902,378)</u>
Net pension (costs) prepaid	<u>\$ (162,139)</u>	<u>\$ 157,692</u>

# Madison River Capital, LLC

## Notes to Financial Statements (continued)

### 7. Benefit Plans (continued)

Weighted-average assumptions used are as follows:

	December 31	
	1999	1998
Plan discount rates	7.50%	7.50%
Rates of increase in future compensation levels	3.00%	3.00%
Expected long-term rates of return on assets	8.00%	8.00%

The following table sets forth the net period pension cost for the Company:

	December 31	
	1999	1998
Service cost	\$ 417,847	\$ 54,107
Interest cost	89,701	83,580
Estimated return on plan assets	(162,263)	(161,685)
Net amortization and deferral	(25,454)	(31,660)
Net periodic pension costs (benefit)	\$ 319,831	\$ (55,658)

Changes in plan assets:

	December 31	
	1999	1998
Fair value of plan assets at beginning of year	\$2,028,288	\$1,965,873
Actual return on plan assets, net	21,822	161,685
Contributions	—	165,108
Distributions	(13,833)	—
Fair value of plan assets at end of year	\$2,036,277	\$2,292,666

Changes in benefit obligations:

	December 31	
	1999	1998
Net benefit obligation at beginning of year	\$1,252,083	\$2,216,460
Service cost	417,847	54,107
Interest cost	89,701	83,580
Actuarial gain	(56,064)	(729,463)
Gross benefits paid	(13,833)	—
Curtailment	—	(372,601)
Net benefit obligation at end of year	\$1,689,734	\$1,252,083

## Madison River Capital, LLC

### Notes to Financial Statements (continued)

#### 7. Benefit Plans (continued)

##### *Postretirement Benefit Other Than Pensions*

GCSI provides medical coverage to retirees and their dependents through a traditional indemnity plan administered by a third party. The plan provisions are the same as those for active participants. Eligibility to participate in the retiree medical plan upon retirement is defined as age 55 with 25 years of service.

GCSI requires retirees to contribute 10% of medical, dental and eye care premium rates. The additional cost of the plan is absorbed by GCSI. GCSI's retirees also receive free local phone service and a \$100 long distance credit per month. GCSI does not anticipate any changes in the cost-sharing provisions of the existing written plan and there is no commitment to increase monetary benefits. The plan is unfunded.

The following table sets forth the funded status of GCSI's plan and amounts recognized in GCSI's financial statements at December 31, 1999:

##### Change in benefit obligation:

Accumulated plan benefit obligation at September 30, 1999	\$ 5,881,800
Service cost	77,100
Interest cost	113,800
Plan participants' contributions	2,200
Actuarial gain	(572,900)
Benefits paid	(32,300)
Net accumulated plan benefit obligation at December 31, 1999	<u>\$ 5,469,700</u>

##### Change in plan assets:

Fair value of plan assets at September 30, 1999	\$ -
Employer contribution	30,100
Plan participants' contributions	2,200
Benefits paid	(32,300)
Fair value of plan assets at December 31, 1999	<u>\$ -</u>

Funded status	\$ (5,469,700)
Unrecognized net gain	(572,900)
Accrued postretirement benefit cost	<u>\$ (6,042,600)</u>

## Madison River Capital, LLC

### Notes to Financial Statements (continued)

#### 7. Benefit Plans (continued)

Components of Net Periodic Postretirement Benefit Cost for September 30, 1999 through December 31, 1999:

Service cost	\$ 77,100
Interest cost	113,800
Net periodic postretirement benefit cost	<u>\$ 190,900</u>

Weighted-average assumptions for 1999:

Discount rate	8.00%
Initial medical trend rate	9.00%
Initial dental and vision trend rate	8.00%
Ultimate trend rate	5.00%
Years to ultimate trend rate	8

Other information:

One percent increase in trend rates:	
Effect on service and interest cost	\$ 46,100
Effect on accumulated plan benefit obligation	1,033,200
One percent decrease in trend rates:	
Effect on service and interest cost	(34,800)
Effect on accumulated plan benefit obligation	(805,500)

#### *401(k) Savings Plans*

During 1998, the Company established a 401(k) savings plan covering substantially all employees who meet certain age and employment criteria. Employees may elect to contribute up to 15% of their compensation to the plan. The Company matches the first 6% of compensation deferred at the rate of 50% of employee contributions. The Company made matching contributions of approximately \$480,000 in 1999 and \$23,600 in 1998.

#### 8. Long-Term Incentive Plan

In 1998, the Company adopted a long-term incentive plan arrangement which provides for annual incentive awards for certain employees as approved by the Board of Directors. Under the terms of the plan, awards are earned over the succeeding twelve months after the award eligibility is determined.

## Madison River Capital, LLC

### Notes to Financial Statements (continued)

#### 8. Long-Term Incentive Plan (continued)

Incentive awards vest automatically at the time of a qualified event as defined under the plan. Vested awards are payable under certain circumstances as defined under the long-term incentive plan arrangement. The Company recognized compensation expense of \$2,576,000 and \$313,000 in the years ended December 31, 1999 and 1998, respectively, related to the long-term incentive awards.

#### 9. Acquisitions

The following unaudited pro forma summary of consolidated results of operations has been prepared as if the acquisitions discussed in Note 1 occurred on January 1, 1998:

	Year ended December 31	
	1999	1998
	<u>(In thousands)</u>	
Total operating revenues	\$ 130,082	\$ 127,951
Loss before extraordinary item	(31,684)	(42,289)
Extraordinary item	-	(173)
Net loss	<u>\$ (31,684)</u>	<u>\$ (42,462)</u>

These pro forma results do not purport to be indicative of the results that would have actually been obtained if the respective businesses had been acquired as of January 1, 1998 or of results that may occur in the future.

#### 10. Segments

The Company has one reportable segment under the requirements of Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosure about Segments of an Enterprise and Related Information."

Revenues by product line are disclosed in the Consolidated Statement of Operations. All operations and assets are based in the United States.

## Madison River Capital, LLC

### Notes to Financial Statements (continued)

#### 11. Commitments and Contingencies

Under the terms of Madison River Telephone Company's Operating Agreement, at any time on or after January 2, 2006, certain members may require Madison River Telephone Company to purchase all of their redeemable member units in an amount equal to the fair market value of such units. Such an event could result in Madison River Capital and its subsidiaries being required to fund this obligation of the Parent.

On October 5, 1999, nine former employees of Gulf Coast Services, Inc. ("GCSI"), who had elected to retire and receive cash distributions for their interests in the GCSI Employee Stock Ownership Plan ("ESOP") in 1996 and 1997 filed a class action lawsuit in Alabama state court alleging breach of fiduciary duty, suppression, and misrepresentation against GCSI and its subsidiaries. The complaint alleged that GCSI failed to disclose to plaintiffs' ongoing negotiations for the sale of GCSI and that the true value of their ESOP interests were higher than the amounts offered to them in connection with their early retirement. Plaintiffs have filed an amended complaint on November 18, 1999, and sought class certification, the establishment of a constructive trust to distribute proceeds from the sale of GCSI to the plaintiffs, and a preliminary injunction seeking to stop GCSI from making further distributions from the ESOP. The plaintiffs are also seeking unspecified compensatory and punitive damages, and attorneys fees as a result of defendants' alleged breach of fiduciary duty, self dealing, misrepresentation, and fraudulent inducement to retire and forego the benefits of continued employment in connection with the plaintiffs' retirement elections and ESOP distributions. On December 6, 1999, the Company, moved to dismiss plaintiffs' amended complaint on the ground that it failed to state any claim upon which relief could be granted. Defendants' motion is currently pending with the Court.

The Company believes the plaintiffs' allegations are without merit and intends to defend against them vigorously. Additionally, the Company believes it is adequately covered by indemnification agreements with the former shareholders of GCSI for any potential liability resulting from this lawsuit. Consequently, the Company does not believe that the resolution of their litigation will have a material adverse effect on its financial condition.

On November 23, 1999, the Company entered into a definitive purchase agreement to acquire all of the outstanding capital stock of Coastal Communications for approximately \$78,000,000. The Company expects to close on the transaction in the second quarter of 2000. Coastal Communications and its subsidiaries provide local exchange telephone service in Georgia.

## Madison River Capital, LLC

### Notes to Financial Statements (continued)

#### **12. Subsequent Events**

During February 2000, the Company completed a private debt offering for \$200,000,000 of Senior Notes at 13.25% per annum which mature in 2010. The net proceeds were approximately \$190,322,000, reflecting a bond discount of \$2,738,000 and estimated issuance costs of \$6,940,000. These funds were used primarily to repay \$160,000,000 of RTFC indebtedness, which was comprised of \$177,777,778 of principal less \$17,777,778 in proceeds from the redemption of the Company's investment in RTFC stock applied towards the repayment of the debt.

## Exhibit E-2

### Projected Financial Statements (Confidential and Proprietary)

Projected financial statement and capital expenditure budgets, included as part of this Application, contain confidential and proprietary information and are being filed under separate cover pursuant to TRA Rule 1220-1-.03(8).

**Exhibit F**

**Small and Minority-Owned Telecommunication  
Business Participation Plan**

## MADISON RIVER COMMUNICATIONS, LLC

### Small and Minority-Owned Telecommunications Business Participation Plan

Pursuant to T.C.A. Section 65-5-212, as amended, Madison River Communications, LLC ("Madison River") submits this small and minority-owned telecommunications business participation plan (the "Plan") along with its Application for a Certificate of Public Convenience and Necessity to provide facilities-based and resold competing local telecommunications services and intrastate, interexchange telecommunications services in Tennessee.

1. Purpose. The purpose of Section 65-5-212 is to provide opportunity for small and minority-owned businesses to provide goods and services to telecommunications service providers. Madison River will endeavor to provide opportunities so small and minority-owned telecommunications businesses to compete for contracts and subcontracts for goods and services. As part of its procurement process, Madison River will make efforts to identify and inform minority-owned and small businesses that are qualified and capable of providing goods and services to Madison River for such opportunities.

2. Definitions. As set forth in Section 65-5-21, the definition of "minority-owned business" is a business which is solely owned, or at least 51 percent of the assets or outstanding stock of which is owned, by an individual who personally manages and controls daily operations of such business, and who is impeded from normal entry into the economic mainstream because of race, religion, sex or national origin and such

business has annual gross receipts of less than \$4 million. "Small business" is defined as a business with annual gross receipts of less than \$4 million.

3. Administration. Madison River's Plan will be overseen and administered by the following individual (the "Administrator"), who will be responsible for carrying out and promoting Madison River's efforts to provide equal opportunities for small and minority-owned businesses.

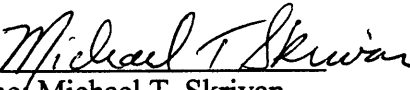
Herbert Henderson  
Executive Director – Human Resources  
Madison River Communications, LLC  
103 South Fifth Street  
Mebane, North Carolina  
Telephone: 919-563-8171  
Telefax: 919-563-4993

The Administrator's responsibilities will include:

- (1) maintaining an updated Plan in full compliance with Section 65-5-212 and the rules and orders of the Tennessee Regulatory Authority (the "TRA").
- (2) establishing and developing policies and procedures necessary for the successful implementation of the Plan.
- (3) preparing and submitting such forms as may be required by the TRA, including the filing of required annual updates.
- (4) serving as the primary liaison to and cooperate with the TRA, other state agencies, and small and minority-owned businesses to locate and use qualified small and minority-owned businesses as defined in 65-5-212.
- (5) searching for and developing opportunities to use small and minority-owned businesses and encouraging such businesses to participate in and bid on contracts and subcontracts.
- (6) providing records and reports and cooperate in any authorized surveys as required by the TRA.

5. Records and Compliance Reports. Madison River will maintain books and records in compliance with requirements of the TRA in connection with the Plan and will cooperate fully with any surveys and studies required by the TRA.

MADISON RIVER COMMUNICATIONS, LLC

By:   
Name: Michael T. Skrivan  
Title: Executive Vice President - Revenues

## **Exhibit G**

### **Toll Dialing Parity Plan**

## **INTRALATA TOLL DIALING PARITY PLAN**

Applicant respectfully submits for this Commission's approval Applicant's intralata toll dialing parity plan as follows:

### **A. GENERAL INFORMATION:**

The FCC has ordered that toll dialing parity be made available.

### **B. WHAT DOES 1+ INTRALATA MEAN TO THE CUSTOMER:**

IntraLATA Toll Dialing Parity allows the end-user customer the ability to select a carrier of choice for intralata toll calls similar to interLATA equal access. The intraLATA carrier can be an interexchange carrier or the local telephone company. The customer may subscribe to their LEC, their current IXC, or other participating carriers to carry their intralata toll. IntraLATA toll may be referred to as local toll or local long-distance. As a CLEC, we need to be able to accept, process and maintain the same type of carrier/IXC information regarding the customer's selection of an intraLATA carrier as we do for the interLATA carrier.

### **C. PRESUBSCRIBED INTEREXCHANGE CARRIER (PIC) METHODOLOGY**

In the absence of readily available and economically feasible Smart or Multi-PIC technology, 1+ dialing parity on an intraLATA basis shall be implemented on a Full 2-PIC methodology. Under a Full 2-PIC methodology, subscribers would select an IXC for interLATA calls and have the ability to select either their interLATA carrier, LEC or an alternative intraLATA toll provider to carry their intraLATA toll traffic.

### **D. IMPLEMENTATION**

An existing customer's initial request of an intraLATA carrier change will be provided free of charge. A LEC service order charge of \$5.00 for each additional line, shall be applied to any subsequent request to change intraLATA interexchange service providers.

If a customer does not request a specific intraLATA carrier, such customer will be defaulted to the local company.

New subscribers will be asked to select an interLATA and intraLATA toll carrier at the time they place an order with the LEC. The LEC will process the customer's order for both intra and interLATA service. The selected carriers will confirm their respective customers' verbal selections by third-party verification or return written confirmation notices. All new subscribers' initial requests for either intra or interLATA interexchange service shall be provided free of charge.

**Exhibit H**

**Pre-filed Testimony**

BEFORE THE  
TENNESSEE REGULATORY AUTHORITY

DOCKET NO. \_\_\_\_\_

**In the Matter of:**

**Application of Madison River Communications, LLC for a Certificate to Provide Facilities-Based and Resold Competing Local Telecommunications Services and Facilities-Based and Resold Intrastate, Interexchange Telecommunications Services**

**TESTIMONY  
OF  
DONALD K. ROBERTON**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

**A. My name is Donald K. Robertson. My business address is 103 South Fifth Street, Mebane, NC 27302.**

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

A. I am employed by Madison River Communications, LLC, as Chairman and Chief Executive Officer.

**Q. PLEASE BRIEFLY OUTLINE YOUR PROFESSIONAL EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.**

A. I have over 39 years of experience in the telecommunications industry. Before becoming a founding member of Madison River Telephone Company, LLC, I negotiated the entry of Citizens Utilities into Hungarian Telephone and Cable Corporation and served as a Director and Vice Chairman of Hungarian Telephone and Cable Company. Prior to that I served as Vice-President-Telecommunications for Citizens Utilities. In this capacity I negotiated the acquisition of 500,000 access lines from GTE and 130,000 access lines from ALLTEL. I was responsible for the

1 integration and absorption of the new properties into Citizens Utilities. Prior to my employment  
2 with Citizens Utilities, I served as Vice President –West Division of Centel Corporation.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. My testimony recommends that this Commission grant Madison River Communications, LLC  
5 (also referred to herein as the “Company”) a Certificate of Public Convenience and Necessity  
6 for the provision of local exchange and exchange access telecommunications services within  
7 the State of Tennessee, as requested in the Company's application filed with the TRA on May  
8 11, 2000 (the “Application”). As part of this recommendation, I will present evidence of the  
9 Company's managerial, financial, and technical abilities to provide the service for which the  
10 certificate is sought. I will also present evidence of the services that Madison River  
11 Communications, LLC proposes to offer and discuss the territories in which Madison River  
12 Communications, LLC proposes to provide this service.

13 **Q. ARE YOU FAMILIAR WITH THE FACTS SET FORTH IN THE APPLICATION?**

14 A. Yes, I am.

15 **Q. WHAT IS THE RELATIONSHIP BETWEEN MADISON RIVER**  
16 **COMMUNICATIONS, LLC AND MADISON RIVER TELEPHONE COMPANY,**  
17 **LLC?**

18 A. Madison River Communications, LLC was organized as a Delaware limited liability company  
19 on March 13, 1998. Madison River Communications, LLC is a wholly-owned subsidiary of  
20 Madison River Telephone Company, LLC. Madison River Telephone Company, LLC, also  
21 a Delaware limited liability company, is a holding company formed for the purpose of  
22 acquiring and operating rural telephone companies in the United States. The management of

1 Madison River Telephone Company, LLC has over 245 years of combined  
2 telecommunications experience. Other subsidiaries of Madison River Telephone Company  
3 include Incumbent Local Exchange Carriers providing local telecommunications services in  
4 Illinois, North Carolina, Georgia and Alabama. In all, we serve close to 200,000 access lines  
5 through our Incumbent Local Exchange Carrier operations. In addition, we have successfully  
6 provided competitive local exchange services in Illinois and North Carolina and have provided  
7 competitive long distance services in Florida, Alabama, Mississippi, Georgia, North Carolina  
8 and Illinois.

9 **Q. IS MADISON RIVER COMMUNICATIONS, LLC AUTHORIZED TO CONDUCT**  
10 **BUSINESS IN THE STATE OF TENNESSEE?**

11 **A.** Yes. A copy of the Company's Certificate of Authority has been filed as a part of the  
12 Application.

13 **Q. DOES MADISON RIVER COMMUNICATIONS, LLC HAVE THE MANAGERIAL**  
14 **AND TECHNICAL ABILITIES NECESSARY TO OFFER THE SERVICES FOR**  
15 **WHICH IT SEEKS CERTIFICATION?**

16 **A.** Yes. Madison River Communications, LLC, a subsidiary of Madison River Telephone  
17 Company, LLC, has the managerial and technical abilities to provide competitive local  
18 exchange, exchange access and long distance services. As I have previously mentioned, other  
19 subsidiaries of Madison River Telephone Company, LLC are providing local exchange service  
20 in four states. Our largest Incumbent Local Exchange Carrier Operations are in Illinois, with  
21 85,000 access lines. This operation, Gallatin River Communications, LLC, was formed from  
22 telephone properties acquired from Sprint Communications. In order to successfully

complete this acquisition and provide service we were required to establish numerous operating systems including service order systems end user billing systems, carrier access billing systems and accounting systems. The skill set required for this acquisition are very relevant to the establishment of competitive local exchange services. Additional information regarding our abilities is provided in Exhibit D to the Application and summarized and below.

**Q. PLEASE LIST AND DESCRIBE THE BACKGROUND OF THE OFFICERS AND KEY MANAGEMENT OF MADISON RIVER TELEPHONE COMPANY, LLC AND MADISON RIVER COMMUNICATIONS, LLC**

**A.** The management team of Madison River Telephone Company, LLC brings together the essential elements of large and small company experiences and entrepreneurial successes. As I have previously mentioned, Madison River Telephone Company, LLC's management team has over 245 years of combined telecommunications experience, and our management team consists of the following persons:

<u>Officer</u>	<u>Title</u>	<u>Age</u>
Donald K. Robertson	Chairman and Chief Executive Officer	58
J. Stephen Vanderwoude	Vice Chairman	56
Paul H. Sunu	Executive Vice President – Chief Financial Officer and Secretary	44
James D. Ogg	Executive Vice President	61
Bruce J. Becker	Executive Vice President – Chief Technology Officer	53
Craig Stapel	Senior Vice President – Sales and Marketing	39
Michael T. Skrivan	Executive Vice President – Revenues	46
Jack Sanders	Senior Vice President – Operations	49
Matt Springer	Vice President, General Counsel & Assistant Secretary	36
John Hogshire	Vice President & Controller	38

Mr. Vanderwoude has over 33 years of telecommunications experience and served as President and Chief Operating Officer and a Director of Centel Corporation. He also served as President and Chief Operating Officer of the Local Telecommunications Division of Sprint Corporation.

Mr. Sunu is a certified public accountant and a member of the Illinois Bar with 18 years of experience including serving as Senior Vice President, CFO and General Counsel for RHR International Company, a management consulting firm with 16 profit centers located in North America, Europe and Russia. He served as President and is one of four principles that established JMG Financial Group, a tax and investment consulting firm. The four principles of JMG established Equity Partners, Ltd., a real estate acquisitions and management firm. Today, Equity Partners is known as Great Lakes REIT, a New York Stock Exchange company.

Mr. Ogg has over 39 years of telecommunications experience including service as President of Centel-Illinois and Vice President and General Manager of Centel-Virginia and Centel-North Carolina.

Mr. Becker has over 38 years of telecommunications experience including serving as the Senior Vice President of Operations and Planning for ICG Telecommunications, Chief Information Officer for ICG's Telecommunications Group and Vice President of Strategic and Technical Planning for Centel Corporation.

Mr. Stapel has over 16 years in the telecommunications industry and serves as Senior Vice President of Sales and Marketing. He has served a number of capacities in the CLEC industry, including Vice President of Sales and Marketing for One Stop Telecommunications, and

1 President/CEO of The Millennium Group Telemanagement Corporation. Prior to 1994, Mr. Stapel  
2 spent 8 years with MCI Telecommunications, serving in various field management functions.

3 Mr. Skrivan is a certified public accountant and a certified management accountant and  
4 has over 23 years of telecommunications experience. He is a founding partner of Harris, Skrivan  
5 & Associates, LLC, which provides financial and regulatory consulting services to rural telephone  
6 companies. He served as Vice President Customer Service at Illinois Consolidated Telephone  
7 Company and was a Consulting Manager with Ernst & Young's Telecommunications Consulting  
8 Practice.

9 Mr. Sanders has over 25 years of experience in telecommunications, including serving as  
10 Chief Technology Officer Nextlink One Communications. Among his earlier management and  
11 executive positions, he was Vice President of Operations for US On Line Communications and  
12 Vice President West Region and Business Development for MFS Realcom. He also served as  
13 Regional Vice President and Vice President Operations for Centel Business Systems, which later  
14 became Wiltel Communications Systems.

15 Mr. Springer is a member of the New York, Connecticut and District of Columbia Bar  
16 Associations with over 11 years of legal experience. He previously served as Assistant General  
17 Counsel of Rural Telephone Finance Cooperative, a \$4 billion non-profit telecommunications  
18 specialty lending institution.

19 Mr. Hogshire is a certified public accountant with 12 years of telecommunications  
20 experience. He was previously with Carolina Telephone and the Sprint Mid Atlantic Division  
21 where he served in a number of positions in Accounting/Finance.

22 Ms. Turner is a certified public accountant with 8 years of telecommunications experience.  
23 She was previously with Ernst & Young, LLP and Sprint Mid Atlantic Division where she served  
24 in a number of positions in Accounting/Finance.

1   **Q.    DOES MADISON RIVER COMMUNICATIONS, LLC HAVE THE FINANCIAL**  
2       **ABILITY TO PROVIDE THE SERVICES FOR WHICH AUTHORITY IS**  
3       **REQUESTED?**

4   **A.**   Madison River Communications, LLC is financially qualified to render local exchange and  
5       exchange access services in Tennessee. Through its owner, Madison River Telephone  
6       Company, LLC, Madison River Communications, LLC has access to the capital necessary to  
7       fulfill the obligations it may undertake with respect to the provision of local exchange and  
8       exchange access services in North Carolina. Madison River Telephone Company, LLC has  
9       access to the financial markets and access to capital investments. A copy of the Madison  
10      River Telephone Company, LLC's audited financial statement for the year ending December  
11      31, 1999 has been filed as part of the Application. In March of 2000, Madison River  
12      Telephone Company, through its Madison River Capital, LLC subsidiary, raised \$200 million  
13      of senior notes through placement to qualified institutional buyers. This further establishes  
14      and demonstrates Madison River Communications, LLC's access to financial markets.

15   **Q.    WHAT ARE THE SERVICES FOR WHICH MADISON RIVER**  
16       **COMMUNICATIONS, LLC IS SEEKING AUTHORITY?**

17   **A.**   Madison River Communications, LLC seeks to provide a full range of local exchange,  
18       exchange access and interexchange telecommunications services throughout the State, except  
19       in telephone franchised areas within the State where the incumbent local exchange companies  
20       may have state or federal exemptions preventing competition in their area. Madison River  
21       Communications, LLC will initially offer end-user services only in the areas currently being  
22       served by BellSouth, Sprint, and GTE.

1   **Q.    HOW DOES MADISON RIVER COMMUNICATIONS, LLC INTEND TO PROVIDE**  
2       **THESE SERVICES?**

3   **A.**Madison River Communications, LLC intends to provide service through resale of the services  
4       of incumbent local exchange carriers, as well as through use of its own facilities. Madison  
5       River Communications, LLC has an extensive network of fiber optic facilities and modern  
6       switching equipment. Our network can easily be extended to serve new locations through  
7       collocation of fiber terminal equipment in the central offices of the Incumbent Local Exchange  
8       Carriers.

9   **Q.    WHAT TYPES OF CUSTOMERS WILL MADISON RIVER COMMUNICATIONS,**  
10       **LLC SERVE?**

11  **A.**Madison River Communications, LLC anticipates serving a combination of residential and  
12       business customers.

13  **Q.    WHEN DOES MADISON RIVER COMMUNICATIONS, LLC ANTICIPATE**  
14       **OFFERING SERVICES?**

15  **A.**Madison River Communications, LLC anticipates providing telecommunications services  
16       beginning in the third quarter of the year 2000. It will be necessary first to reach  
17       interconnection agreements with one or more incumbent local exchange carriers and to  
18       receive this Commission's authorization prior to offering services.

19  **Q.    WHAT TYPES OF SERVICES DOES MADISON RIVER COMMUNICATIONS,**  
20       **LLC ANTICIPATE OFFERING?**

21  **A.**Madison River Communications, LLC anticipates providing a full range of local exchange,  
22       exchange access and interexchange telecommunications services. This includes, but is not

1 limited to, Residence and Business flat Rate, Residence and Business Measured Rate,  
2 Residence and Business Key Lines, PBS, Direct Inward Dial, Direct Outward Dial, Integrated  
3 Services Digital Network (ISDN) Basic Rate Interface and Primary Rate Interface,  
4 CENTREX, Switched Data, Switched and Special Access Services, Local and Interexchange  
5 Private Line Services, Vertical Features such as Custom Calling, Voice Mail and CLASS  
6 services.

7 **Q. DOES MADISON RIVER COMMUNICATIONS, LLC HAVE AUTHORITY TO**  
8 **OFFER LOCAL EXCHANGE SERVICES IN OTHER STATES?**

9 **A.** Yes. Madison River Communications, LLC has authority to provide local exchange services  
10 in North Carolina and Illinois.

11 **Q. DOES MADISON RIVER COMMUNICATIONS, LLC HAVE AUTHORITY TO**  
12 **OFFER LONG DISTANCE SERVICES IN OTHER STATES?**

13 **A.** Affiliates of Madison River Communications, LLC has authority to provide long distance  
14 services in North Carolina and Illinois.

15 **Q. HOW WILL MADISON RIVER COMMUNICATIONS, LLC BILL FOR ITS**  
16 **SERVICES? WILL THE NAME OF THE COMPANY APPEAR ON THE BILL?**

17 **A.** Madison River Communications, LLC will bill all customers directly and our name will appear  
18 on the bill.

19 **Q. DESCRIBE CUSTOMER SERVICE PROCEDURES FOR SERVICE, REPAIR,**  
20 **AND INQUIRIES.**

21 **A.** Madison River Communications, LLC will maintain a toll free telephone number for taking  
22 customer calls to order service, report troubles and handle miscellaneous customer inquiries

1 or complaints.

2 **Q. WOULD IT BE IN THE PUBLIC INTEREST FOR MADISON RIVER**  
3 **COMMUNICATIONS, LLC TO BE AUTHORIZED TO PROVIDE SUCH**  
4 **SERVICES?**

5 **A. Yes.**

6 **Q. HOW IS THE PUBLIC INTEREST SERVED BY AUTHORIZING NEW**  
7 **PROVIDERS TO OFFER TELECOMMUNICATIONS SERVICES?**

8 **A. The public will benefit from the grant of Madison River Communications, LLC's Application**  
9 **by expanding the number of choices telecommunications users have for their local service**  
10 **provider. The increased competition Madison River Communications, LLC will bring to the**  
11 **market will ultimately improve the quality of telecommunications services and through**  
12 **innovation and efficiency ensure the cost of service is maintained at its lowest possible level.**

13 **The result will be beneficial to economic development in Tennessee and to the residential and**  
14 **business end-user customers.**

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 **A. Yes, it does.**

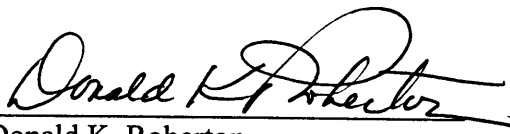
VERIFICATION

STATE OF NORTH CAROLINA

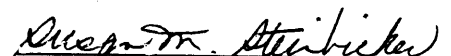
COUNTY OF ORANGE

Donald K. Robertson, being first duly sworn, deposes and says: That he is the Chairman and Chief Executive Officer of Madison River Communications, LLC, the applicant in the above proceeding; that he is authorized to and does make this affidavit for said company; that the facts set forth are true and correct to the best of his knowledge, information, and belief and that he expects said company to be able to prove the same at any hearing hereof.

MADISON RIVER COMMUNICATIONS, LLC

By:   
Name: Donald K. Robertson  
Title: Chairman, Chief Executive Officer

Subscribed and sworn to before me this  
11<sup>th</sup> day of May, 2000

  
Notary Public  
State of North Carolina

My commission expires: 11-24-2004

## NOTICE OF FILING

Madison River Communications, LLC has filed an Application with the Tennessee Regulatory Authority for a Certificate of Convenience and Necessity as a Competing Telecommunications Service Provider. The undersigned hereby certifies that a copy of this notice and a copy of the Application has been served on the following persons via U.S. Mail this 12th day of May, 2000:

Guy M. Hicks  
BellSouth Telecommunications, Inc.  
333 Commerce Street, Suite 2101  
Nashville, TN 37201-3300

T. G. Pappas, Esq.  
Bass, Berry & Sims  
2700 First American Center  
313 Deaderick Street  
Nashville, Tennessee 37238-2700

James B. Wright, Esq.  
United Telephone-Southeast, Inc.  
14111 Capital Boulevard  
Wake Forest, NC 27587-5900

Ardmore Telephone Company, Inc.  
Terry Wales, General Manager  
P.O. Box 549  
517 Ardmore Avenue  
Ardmore, TN 38449

Century Telephone or Adamsville  
David Dickey, Division Manager  
P.O. Box 405  
116 N. Oak Street  
Adamsville, TN 38310

Century Telephone of Claiborne  
Don Ray Fannon, Division Manager  
P.O. Box 100  
57 Main Street  
New Tazewell, TN 37825

Century Telephone of Ooltewah-Collegedale, Inc.  
Terry Crutchfield, Division Manager  
P.O. Box 782  
5616 Main Street  
Ooltewah, TN 37363

Citizens Telephone Company of Tennessee  
Citizens Telecommunications Company of the Volunteer State  
Mike Swatts, State Regulatory Director, South  
P.O. Box 770  
300 Bland Street  
Bluefield, WV 24701

TDS Telecom-Tellico Telephone Company, Inc.  
P.O. Box 9  
102 Spence Street  
Tellico Plains, TN 37385-0009

Loretto Telephone Company, Inc.  
Louise Brown, President  
P.O. Box 130  
Loretto, TN 38469

Millington Telephone Company, Inc.  
W. S. Howard, President  
4880 Navy Road  
Millington, TN 38053

Sprint-United  
Steve Parrott  
Director-Regulatory Affairs  
112 Sixth Street  
Bristol, TN 37620

TDS Telecom-Concord Telephone Exchange, Inc.  
Jerry R. Parkerson, Manager  
P.O. Box 22610  
701 Concord Road  
Knoxville, TN 37933-0610

TDS Telecom-Humphreys County Telephone Company  
Bernard R. Arnold, Manager  
P.O. Box 552  
203 Long Street  
New Johnsonville, TN 37134-0552


TDS Telecom-Tennessee Telephone Company  
P.O. Box 18139  
Knoxville, TN 37928-2139

TEC-Crockett Telephone Company, Inc.  
P.O. Box 7  
Friendship, TN 38034

TEC-People's Telephone Company, Inc.  
P.O. Box 310  
Erin, TN 37061

TEC-West Tennessee Telephone Company, Inc.  
P.O. Box 10  
244 E. Main Street  
Bradford, TN 38316

United Telephone Company  
P.O. Box 38  
120 Taylor Street  
Chapel Hill, TN 37034

  
\_\_\_\_\_  
April A. Ingram